

**EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE NOVEMBER 16, 2022 PENSION BOARD MEETING**

1. Call to Order

The Chair called the meeting to order at 8:35 a.m. The meeting was held virtually due to Milwaukee County's and the City of Milwaukee's Stay Safe MKE initiative limiting gatherings in light of the COVID-19 pandemic.

2. Roll Call

Members Present

Nicole Best
Jeffrey Gollner
Jeremy Lucas
Ronald Nelson (Vice Chair)
Himanshu Parikh
David Robles (Chair)
Rob Worzalla

Members Excused

Kessha Hobson
Anthony Johnson

Others Present

Erika Bronikowski, Director - Retirement Plan Services
Annamarie Kirsanoff, Acting Fiscal Officer - Retirement Plan Services
Turkessa McCoy, Member Engagement-Project Manager - Retirement Plan Services
Natasha Ford, Office Administrative Assistant - Retirement Plan Services
Judd Taback, Assistant Corporation Counsel
Brett Christenson, Marquette Associates, Inc.
Christopher Caparelli, Marquette Associates, Inc.
Jessica Culotti, Reinhart Boerner Van Deuren s.c.
Fredrick Gladney, President – Milwaukee Deputy Sheriffs' Association
Lauren Albanese, Financial Investment News

3. Chairperson's Report

The Chair called the November 16, 2022 Pension Board meeting to order. He began by thanking the Trustees and guests for attending the meeting. The Chair noted he would keep his comments short.

He explained that the Board is welcoming a new trustee Anthony Johnson. While Mr. Johnson is unable to attend the entire Board meeting, he may call in if his schedule allows. The Chair stated Mr. Johnson was appointed to the Pension Board by County Executive Crowley and recently confirmed by the County Board. Mr. Johnson comes to the Board with a financial background and

currently works with Allspring Global Investments in Milwaukee. The Chair welcomed Mr. Johnson and stated he looks forward to Mr. Johnson bringing his skills and background to the Board.

The Chair continued by explaining that the Board's Committees have been dealing with a variety of issues with one of the most important being the 5-year experience study conducted by the actuary. As a result of that study, the Committees have been reviewing the actuarial assumptions and the recommended changes. The Actuarial, Audit and Risk Committee, the Investment Committee and the Appeals and Rules Committee have all touched on that subject and will continue to review those recommendations along with input from various County stakeholders.

The Chair noted that the Board recently completed all four educational sessions presented by the International Foundation of Employee Benefit Plans. The Chair thanked Ms. Bronikowski for setting up those sessions and stated it was a very good educational program for the Board.

The Chair stated that concluded his report as he will leave the market comments to Marquette Associates.

4. Minutes

(a) Meeting Minutes – September 21, 2022

The Chair stated the minutes of the September 21, 2022 Pension Board meeting were distributed to the Board and called for any comments, questions, additions or corrections. Seeing none, the Chair stated he would entertain a motion to approve the minutes.

The Pension Board unanimously voted by voice vote to approve the minutes of the September 21, 2022 Pension Board meeting. Motion by Ms. Best, seconded by Mr. Parikh.

5. Investment Consultant Report

(a) Report

The Chair welcomed Mr. Christenson and Mr. Caparelli from Marquette Associates and asked them to present their report.

Mr. Caparelli stated he would briefly provide an overview of the markets before Mr. Christenson provides information on the October ERS Portfolio returns. He explained the overall headline is that it was a tough September for most asset classes across the board. The S&P 500 was down almost 10%, bringing the year-to-date returns to almost negative 25%. Mr. Caparelli noted that because of the strong returns in 2019, 2020 and 2021, the long-term results are still intact and within the range of the expectations. Outside the U.S. markets, the International

Equities are down approximately 27%. Mr. Caparelli stated that even diversification has not added much of a benefit this year. Related, the bond market also has not provided much of a benefit with the Fixed Income Aggregate index down almost 15% year-to-date. Mr. Caparelli explained the negative bond market returns have caused the biggest issue this year because generally, when the stock market is down 15% or 25%, the bond market is expected to hold up and anchor a portfolio. This year, due to the dramatic rise in interest rates, that has not happened.

Mr. Caparelli continued by reviewing the October markets. He stated October was a good month and that trend has continued into November. U.S. Equities are up about 8%, which cuts the year-to-date losses to -17%. Mr. Caparelli explained the reason for this change is that inflation has gone down slightly, which may allow the Fed to slow the pace of interest rate increases. Overall, stocks and bonds have had a tough year, but Mr. Caparelli noted that the Board has done a good job diversifying outside of the traditional investments into the Hedged Equity, Real Estate, Infrastructure and Private Equity markets. That diversification has been helpful this year.

Mr. Caparelli next explained that while the overall goal is to hit or exceed the assumed rate of return, it is helpful to periodically see how ERS compares to its peer group of other public defined benefit plans. He stated that ERS' negative 13.1% is actually a good return versus its peers. The median plan in this universe, which consists of about 500 other portfolios is negative 18.7%. Therefore, ERS has done well. Mr. Caparelli then called for questions and seeing none, asked Mr. Christenson to review the ERS Portfolio in more detail.

Mr. Christenson began by reviewing the Portfolio as a whole. He noted that the market value as of October 31st was \$1.65 billion. In terms of the Policy Targets, the Portfolio is significantly underweight on Fixed Income. However, Mr. Christenson explained that this underweight has to be balanced with the overweight in Real Estate and Infrastructure as well as the \$30 million in cash. Overall, the Portfolio is underweight to Fixed Income by approximately \$28 million and overweight to equity-like asset classes by about the same. U.S. Equity is close to target and International Equity is underweight by approximately \$70 million. The significant overweight is in Private Equity by approximately \$100 million, which Mr. Christenson noted has been a good place to be overweight. He explained that while there are some areas of overweight and underweight, the Portfolio is positioned well and has been preserving capital as compared to its peers.

Mr. Christenson continued by discussing the Portfolio returns. He noted that the Portfolio was up 2.9% at the end of October, bringing the year-to-date return to negative 10.5%. Galliard in Fixed Income exceeded the benchmark, and TCW is right at the benchmark. Mr. Christenson explained that they are pleased with those returns given the amount of volatility in that space.

In the Equity Composite, Mr. Christenson note there is a value bias, including Boston Partners, Silvercrest and QMA. All three of these managers are helping the Portfolio this year with year-to-date returns approximately 3% above the benchmark.

The Alternative Composite is down approximately 10% year-to-date with ABS down approximately 11.6%. Mr. Christenson stated that this is what is expected as the long-short equity managers generally lose about half of what the market loses in a down economy. Parametric is doing a good job, down 8.8% for the year. Mr. Christenson explained the bright spot in the Portfolio is Real Estate, up 11.7% for the year. American Realty is up 14.8% and the other two managers are up 10%, which is a bit behind the benchmark. Mr. Christenson reminded the Board that UBS is in termination, but it will still be a couple of years before that full amount is redeemed. In the meantime, Mr. Christenson noted UBS is performing as expected, so it is not hurting the Portfolio.

In Infrastructure, JP Morgan is slightly outperforming IFM year-to-date. Mr. Christenson explained that IFM is a little more sensitive to the economy whereas JP Morgan is much less sensitive, which is why they were added to the Portfolio.

Private Equity is down about 5.7% for the year, which is expected. Mr. Christenson stated that the goal is for the Private Equity portfolio to outperform the U.S. markets by at least 3% or more after fees. In this Portfolio, Private Equity returned almost 15% after fees. Mr. Christenson explained that Private Equity returns generally lag the market, so it is likely there will be additional negative returns for the year.

Mr. Christenson stated that overall, the Portfolio has been outperforming its peer group, and going forward the outlook for Fixed Income is much better. Next year, the Board will review the asset allocations and determine if changes should be made. Mr. Christenson noted that the Board spent the last several years moving money out of bonds, but the Board may want to consider positioning the Portfolio a little more conservatively.

The Chair asked Mr. Christenson to expand on his comment that the Board may want to position the Portfolio more conservatively given that bonds are doing as poorly as the equity markets. Mr. Christenson stated there are two rationales behind this comment. First, the primary reason that bonds are down 15% year-to-date is because interest rates have quickly gone from zero to 3.75%, and the Fed is expected to raise interest rates again at its next meeting. Mr. Christenson explained that interest rates rarely move to this degree so it is an extreme situation. He noted there is nothing fundamentally wrong with the bond market. In fact, ERS is invested in very high-quality bonds and there are no structural issues with the investments. The second reason to consider moving more into the bond market is interest rates are very close to where they will stay, so the bond market is already priced for this. If interest rates pause here, there will likely be yields of 4% or better in Fixed Income. Mr. Christenson stated that this is the

yield coming out of Real Estate and Infrastructure, but to obtain those returns with low risk and high liquidity is ideal.

In response to a question from the Chair, Mr. Christenson stated that the redemptions received to date have been used mostly for benefits but some have been used for rebalancing. This will continue to be case depending on when ERS receives the redemptions.

In response to a question from Mr. Gollner, Mr. Christenson explained that the Portfolio's bonds are very high quality with the exception of TCW, which has some risk built in. Therefore, the bond portfolio only loses money if there are defaults on the bonds, which is unexpected, or interest rates rise. The only way bonds will have negative returns going forward is if interest rates continue to rise. Mr. Christenson stated that given where interest rates are, it is unlikely that they will go much higher and the rates are already priced into the bond market.

6. Investment Committee Report – November 10, 2022

The Vice Chair began by stating that Marquette reviewed most of what was discussed at the Investment Committee meeting. Additionally, JP Morgan presented on their Infrastructure Fund, and the Committee considered their performance in a very volatile environment.

The Vice Chair explained that coming up, the Investment Committee will be reviewing the asset allocation for 2023. As Mr. Christenson noted, the Committee will be considering the bond market as the returns are more attractive than they were at the beginning of 2022.

The Vice Chair noted that ERS is a mature fund with significant cash outflow. Therefore, it is important to consider less risky investments. While the Portfolio may lag on the upside, it protects on the downside, which is vital for ERS' cash flow.

2022 7. Appeals and Rules Committee Report – September 28, 2022 and November 9,

The Chair stated the Appeals and Rules Committee met on September 28th and November 9th. Many of the items that the Committee discussed are on the Board's agenda. The Board will be considering repealing Rules that were rendered obsolete by subsequent Ordinance amendments as well as Rule amendments to provide RPS with administrative flexibility related to domestic relations orders.

The Chair stated that in addition to the Rule changes, the Appeals and Rules Committee heard appeals from two members that will be before the Board in December. Related to the appeals, the Committee also considered an administrative procedure for non-responsive appellants, mainly ERS members who have requested appeals and then not taken any further action. The Chair

called for questions and seeing none stated the Board could move on to the Governance Committee report.

8. Governance Committee Report – October 19, 2022

(a) Committee Report

The Chair asked Mr. Gollner to provide the Governance Committee report. Mr. Gollner stated that at the October 19, 2022 Governance Committee meeting, Ms. Bronikowski provided a number of updates, including the 2023-2024 ERS Strategic Plan. He noted that the pension system upgrade and the implementation of the Board portal are on track. Mr. Gollner then reminded the Trustees that NASDAQ is assisting the Board with its self-evaluation, so when contacted, the Trustees should respond in a timely manner.

(b) 2023 Education Planning

Mr. Gollner next discussed 2023 educational opportunities for Trustees. He stated the Board's Education Policy requires each Trustee to complete 16 hours of education each year. Last year, the Board participated in Part 1 of the International Foundation of Employee Benefit Plans' ("IFEBP") Certificate of Achievement in Public Plan Policy ("CAPPP"). Mr. Gollner explained the IFEBP has a second part of the CAPPP program that the Board could participate in for 2023. Additionally, historically, the Board has preapproved Trustee attendance at the IFEBP's conferences as well as conferences presented by the National Conference on Public Employee Retirement Systems ("NCPERS") and the National Association of State Retirement Administrators ("NASRA"). The Board has further preapproved memberships in these organizations that are needed by RPS staff or Trustees. Mr. Gollner asked Ms. Bronikowski if she had anything to add.

Ms. Bronikowski stated that the Governance Committee reviewed a document that took a deeper dive into the educational opportunities for 2023. After that discussion, the Committee recommended that the Board participate in Part 2 of the CAPPP program. This portion covers topics such as plan design, investments and business improvement strategies. Ms. Bronikowski clarified that the Board has preapproved conference attendance for certain organizations to reduce the amount of time the Board has to review Trustee requests to attend conferences presented by these organizations.

The Pension Board voted unanimously to approve costs for the IFEBP to present to the Board Part 2 of the Certificate of Achievement in Public Plan Policy. Motion by the Chair, seconded by Mr. Gollner.

The Chair explained that the Board completed Part 1 of the CAPPP, which covered governance, fiduciary responsibility as well as actuarial principles. The Chair stated the course was comprehensive and touched on helpful topics for the Board.

The Pension Board voted unanimously to approve the costs for any interested Pension Board trustee to attend any of the 2023 IFEBP, NCPERS or NASRA Conferences. Motion by the Chair, seconded by Mr. Lucas.

The Chair noted that the Board's policies limit travel to three conferences and expenses up to \$6,000 in travel costs per Trustee. While the Board preapproves attendance at these conferences, there are limits for each Trustee.

(c) Pension Administration System Upgrade Status Update

Ms. Bronikowski stated that the V10 system upgrade went live August 1, and the warranty period for the upgraded system closed on October 31. She explained that during the warranty period, any issues identified by the RPS team would be covered and fixed under the costs of the upgrade. Ms. Bronikowski stated that during these three months, RPS engaged in extensive testing, including testing of sample Form 1099-R files. As the Board will recall, there were conversations over the past few months about extending the warranty period or finding ways to ensure that RPS would have support from Vitech if there was an issue with producing the 1099-Rs early next year. Ms. Bronikowski explained that RPS was able to resolve those issues through extra testing. RPS is confident that there should not be any issues with producing the Form 1099-Rs in January.

For other identified issues, RPS continues to roll out fixes in the middle of each month and as needed if urgent issues arise. Additionally, RPS has processes, procedures and scripts available to staff who are taking calls on a given topic. This way, they have the information at their fingertips. Ms. Bronikowski noted this was a big lift for the systems team, but it has been great to have that information available. Ms. Bronikowski stated RPS is also creating FAQs for members that are using the digital self-service site and will continue to add more content to that knowledge base each week.

Ms. Bronikowski continued by stating the system has been operational and ERS has continued to pay benefits on time. She explained RPS pays benefits three times a month. At the end of each month, RPS issues the recurring annuity payments as well as new retirements. Then, on the first and third Thursdays of each month, RPS issues lump sum payments such as contribution withdrawals. The upgrade has not impacted any of the benefit payments, and the RPS team is already starting to see efficiencies with the new system.

Ms. Bronikowski next reviewed the feedback on V10 system. She stated the staff is excited and interested in engaging with the new system. From the member viewpoint, RPS is receiving positive feedback on the digital self-service platform. Ms. Bronikowski noted that, as can be expected with any upgrade, there were some bumps, but the system is operating as needed and members are pleased with the interface.

In response to a question from Mr. Gollner, Ms. Bronikowski stated she can ask the County's Learning Management System ("LMS") team if the V10 tutorial can be integrated into the LMS system. She stated it would be helpful to have that information in another area, and if the tutorial is added to LMS, RPS will be able to have data on who has viewed the videos and how many times.

In response to a question from the Chair with regard to electronic communications, Ms. Bronikowski stated RPS is approaching that topic in a few different ways. She explained there is an option on the system that would allow a member to select to receive their mailings electronically. Members can log into digital self-service and see the documents that are sent to them via mail, but members are still receiving mail instead of an email notifying them of the availability of the documents. Early next year, RPS will be exploring additional methods of electronic communications, including secure messaging. The first piece that will be rolled out is that members will have the option to elect to have documents sent to them through email instead of via mail.

(d) Board Portal Implementation Update

The Chair asked Ms. Bronikowski to provide an update on the Board portal. Ms. Bronikowski stated that the Board selected Aprio earlier this year to provide portal services. The contract was signed in September and RPS is working with Aprio to build out the site. Ms. Bronikowski explained that the RPS staff had an initial training and used the November cycle of meetings as a test run. She noted the site is almost entirely built out and Aprio is adding some legacy and reference documents to the site, including charters and policies. Ms. Bronikowski stated she anticipates that for the December Board meeting, the Trustees will be able to use the Aprio site instead of receiving materials via email.

9. Actuarial, Audit and Risk Committee Report – October 13, 2022 and October 27, 2022

The Chair asked Ms. Best to present the Audit Committee report. Ms. Best stated the Audit Committee has been working hard on a number of items, but most notably, the 2022 Experience Study as well as the actuarial services Request for Proposal ("RFP").

Ms. Best began with a review of the Committee's work related to the Experience Study. She stated the Committee's work has occurred over the last two meetings, focusing on the potential changes to the assumed rate of return. At its most recent meeting, the Audit Committee had another robust discussion about the assumed rate of return in addition to considering feedback from other County stakeholders. The Audit Committee asked the actuary to complete an analysis of different step-down options to get ERS to the recommended 7% rate of return.

Ms. Best continued by stating that the other topic that the Committee has focused on is the RFP, which is on the Board's agenda.

The Chair thanked Ms. Best for her report. He stated that as she indicated, the Board will be receiving input from County stakeholders with regard to the assumed rate of return. As that information is received, the Audit Committee will make a recommendation to the Board. The Investment Committee will have follow up items from that recommendation, and ultimately, the Appeals and Rules Committee will be responsible for amending the applicable Rule to reflect the rate.

The Chair then moved that the Pension Board adjourn into closed session under Wisconsin Statute section 19.85(1)(e) with regard to Item 10(a) for deliberating or negotiating the purchase of public properties, the investing of public funds or conducting other specific public business, whenever competitive or bargaining session require a closed session, and under Wisconsin Statute section 19.85(1)(f) with regard to Item 11(a) for considering financial or medical information related to the listed persons which if discussed in public would likely have substantial adverse effect upon the reputation of those persons. Additionally, the Board may adjourn into closed session under Wisconsin Statute section 19.85(1)(g) with regard to Items 12(a) through 13(a) for the purpose of the Board receiving written or oral advice from legal counsel concerning legal strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board agreed by voice vote of 7-0 to enter into closed session to discuss Items 10(a) through 13(a). Motion by the Chair, seconded by Ms. Best.

10. Actuarial, Audit, and Risk Committee Closed Session Item(s)

(a) Actuarial Services Request for Proposal

The Pension Board discussed this item in closed session.

11. Disability Retirement Deliberation

(a) J. Streicher

The Pension Board discussed this item in closed session.

12. Appeals and Rules Committee Closed Session Items

(a) Proposed Amendments Regarding Pension Board Rule 1017

The Pension Board discussed this item in closed session.

(b) Proposed Repeal of Pension Board Rule 1036

The Pension Board discussed this item in closed session.

(c) Proposed Repeal of Pension Board Rule 404

The Pension Board discussed this item in closed session.

(d) Non-Responsive Appellants

The Pension Board discussed this item in closed session.

13. Counsel Report

(a) Litigation Update

The Pension Board discussed this item in closed session and took no action.

The Pension Board agreed by voice vote of 7-0 to return to open session.

After returning to open session, the Pension Board had the following discussions and made the following motions.

(a) Actuarial Services Request for Proposal

The Chair stated that the Board received the recommendation from the evaluation panel related to the actuarial services RFP. He explained that the evaluation panel for the RFP included a member of the Audit Committee, an individual from Milwaukee County Risk Management and an individual from Milwaukee County Human Resources. The recommendation from the evaluation panel was to reengage Segal as ERS' actuary. The evaluation panel received four submissions, and after careful review selected two finalists. After additional review related to the two finalists, the evaluation panel then recommended that the Board engage Segal.

The Pension Board voted 5-0-1, with Ms. Best recusing herself, to award the actuarial services contract to Segal and directed counsel to negotiate a contract with Segal for such services. Motion by the Chair, seconded by Mr. Lucas. Mr. Parikh was not present for the vote.

(b) J. Streicher

The Chair stated the Board reviewed Mr. Streicher's disability retirement application and related materials as well as recommendations from the Medical Review Board. The Chair confirmed that Mr. Streicher had not called into the meeting but was provided notice of the meeting.

He explained that Mr. Streicher applied for an accidental disability benefit but should that not be approved, he requested an ordinary disability benefit. Given the nature of Mr. Streicher's disability, his accidental disability application must, per Wisconsin law, be evaluated under Wisconsin Statute section 59.88. Under this Statute, the initial determination is received from Milwaukee

County, and in Mr. Streicher's case, the County determined he did not meet the threshold to be considered for an accidental disability benefit. The Chair stated if Mr. Streicher decides to appeal that determination, the appeal does not come before the Pension Board, but instead is appealed to the Department of Workforce Development.

The Chair continued by explaining that given the initial denial by the County related to Mr. Streicher's accidental disability application, his request for an ordinary disability benefit is the only portion of his application that is currently before the Pension Board. The Chair noted that should the Department of Workforce Development grant Mr. Streicher's appeal, then Mr. Streicher's accidental disability application will come back before the Pension Board. The Chair further noted that the Medical Board recommended that Mr. Streicher's ordinary disability application be approved.

The Pension Board voted unanimously to accept the Medical Board's determination to approve the ordinary disability pension application submitted by Mr. Streicher. Motion by Mr. Worzalla, seconded by Mr. Gollner.

(c) Proposed Amendments regarding Pension Board Rule 1017

The Chair stated that this item relates to proposed amendments to Pension Rule 1017. This Rule governs domestic relations orders, and RPS has asked the Pension Board to amend the Rule to allow RPS to make a payment under a domestic relations order via electronic fund transfer if the domestic relations order so requires. The Chair noted that the Pension Board discussed in closed session a minor edit to the proposed amendments provided to the Board.

The Pension Board unanimously voted to adopt the amendments to Rule 1017, along with the edits discussed by the Board, attached to these minutes as Exhibit A. Motion by the Chair, seconded by Mr. Gollner.

(d) Proposed Repeal of Pension Board Rule 1036 and Rule 404

The Chair explained that the Pension Board discussed the proposed repeal of Rules 1036 and 404. He stated both of these Rules address purchases of service credit, which are no longer allowed. The County Board previously took action to repeal the Ordinances that would allow for such purchases of service credit. The related Pension Board Rules were not repealed at the time. The Chair noted the Appeals and Rules Committee recommended that the Pension Board repeal these Rules.

The Pension Board unanimously voted to repeal Rules 1036 and 404. Motion by the Chair, seconded by Mr. Lucas.

(e) Non-Responsive Appellants

The Chair stated that this item is a procedural matter. He explained RPS is aware of at least one instance where an individual requested an appeal but did not take further action to present that appeal. RPS proposed, and the Appeals and Rules Committee has recommended, that the Pension Board approve a procedure under which if no action is taken by the appellant for two Committee meetings after filing an appeal, RPS may place the appeal on the agenda for Committee action. This would trigger the notices provided to the parties under Rule 1016.

The Pension Board unanimously voted by voice vote to approve a procedure that would allow RPS to place an appeal on the Appeals and Rules Committee's agenda if an appellant has failed to proceed with an appeal for at least two meetings. Motion by the Chair, seconded by Mr. Parikh.

14. RPS Reports

(a) RPS Director Report

Ms. Bronikowski began her report by providing an update on the RPS staff. She stated RPS was recently notified that the County's Human Resources Department office, which includes RPS, will be reopening in mid-December for limited hours. The office will be open for walk-ins from 9 to 3 on Mondays through Thursdays. Ms. Bronikowski explained that the Human Resources team will staff the front desk during those times and the Human Resources staff who have been working remotely will be cycled back into the office. She noted the permanent remote work schedule is still being finalized by County leadership. Ms. Bronikowski stated that RPS staff have been coming into the office on a rotating basis for the entire pandemic and will continue to do so under the reopening plan. Ms. Bronikowski explained that the County will be sending out a notice about the reopening, and RPS will include the information in the November Communicator. Ms. Bronikowski further explained that ERS members and retirees can still make appointments between 8 and 5 with RPS staff, but in December, they may also walk in to meet with RPS staff if they need to during those hours.

With regard to the RPS team, there are currently three vacancies, including the fiscal analyst position. Ms. Bronikowski stated Ms. Kirsanoff accepted the Fiscal Officer role, and RPS is now interviewing to fill her prior position. RPS is also interviewing for a clerical specialist and a lead retirement analyst. Ms. Bronikowski stated that RPS is still operating normally as the current staff can absorb those vacancies in the short term.

Ms. Bronikowski continued by stating that RPS has had an influx of retirements. Part of this is due to the transition of the County's mental health complex to a private organization. Therefore, there are a number of employees whose positions at the County no longer exist as of September. While some

employees may transition to the new organization, there has been an increase in retirements. Ms. Bronikowski noted that the staff is keeping up well, but the retirements are almost triple what is usually processed in a month.

Ms. Bronikowski next reviewed RPS' current projects. RPS continues to implement fixes related to the V10 system upgrade. The IRS also recently rolled out new Federal income tax withholding forms and calculations. These are required to be implemented by January 1, 2023. RPS is working with the vendor to build out those new requirements. RPS will be sending out communications to any retirees who need to update their current elections before 2023 and there will be information in the Communicator about these changes. There are also some recurring projects in process, including the Strategic Plan and the annual valuation. Ms. Bronikowski stated that unless there are questions, that completes her Director Report.

(b) Retirements Processed

The Chair asked Ms. Bronikowski to present the Retirements Processed Reports. Ms. Bronikowski stated she provided both the September and October Retirements Processed Reports to the Board. She stated that in September, ERS commenced 18 retirements. Of those retirements, 6 were deferred vested retirements and the remaining 12 were active retirements. Of the 12 active retirements, 10 retirees elected backDROPs. One backDROP was a little over \$400,000 and one backDROP was a little under \$200,000. The remaining backDROPs were under \$70,000.

As for October, Ms. Bronikowski reported that RPS commenced 12 pensions, which is more in line with prior years. Of those 12 retirements, 8 were deferred vested and 4 were active retirements. Two retirees elected backDROPs with one a little under \$325,000 and the other a little under \$45,000.

In November, RPS is commencing 30 retirements. Ms. Bronikowski noted that this is higher than usual, but RPS is on track to have them all paid on time.

(c) Fiscal Reports

The Chair asked Ms. Kirsanoff to present the Fiscal Officer report. Ms. Kirsanoff stated she provided the Board with the Portfolio Activity Report for September and October, the Funds Approved Report, the Financial Statements as of September 30, 2022 and the Budget Versus Actual for September 30, 2022.

Ms. Kirsanoff continued by reviewing the key highlights of the reports. She stated ERS net plan assets as of October 31, 2022 were \$1.655 billion. The Fund saw an overall decrease of \$49.7 million from August 31 to October 31, and an overall increase of \$36.4 million over the one-month period from September 30 to October 31, 2022. Ms. Kirsanoff explained that there were decreases across most asset classes, including International Equity which was

down \$14 million, Fixed Income, which was down \$13.7 million, and Private Equity, which had losses of \$10.8 million.

Ms. Kirsanoff explained that ERS has sufficient cash in the general account, so it was not necessary to raise funds to meet September and October disbursements. She noted this cash was due in part to the receipt of some redemptions and employer contributions received from Milwaukee County. Ms. Kirsanoff stated there are still a number of outstanding redemptions, including \$9.5 million from American Realty.

Ms. Kirsanoff then reviewed the Funds Approved Report. She stated that at its May meeting, the Pension Board approved \$110 million for estimated second half of 2022 funding needs. \$17.5 million was required for July, \$19 million for August, \$18.5 million was required for September, \$16.5 million for October and \$18.5 million is anticipated for November needs. Ms. Kirsanoff stated this leaves approximately \$20 million in surplus, which should be sufficient. Ms. Kirsanoff noted she will be requesting approval from the Board in December for the first half of 2023 funding needs.

Ms. Kirsanoff continued by presenting the distributions and capital calls in September and October. In September, there were 5 distributions totaling approximately \$9.2 million, including \$4.9 million from Morgan Stanley Prime Property. Ms. Kirsanoff stated there were 6 distributions in October totaling approximately \$13 million, including a \$10 million redemption from IFM. ERS received 2 capital calls in September totaling a little over \$2 million, including \$1.2 million from Mesirov Fund VII. There were also 2 capital calls in October, including approximately \$1.9 million for BPEA VI.

Ms. Kirsanoff then called for questions and seeing none stated that concludes her report.

15. Administrative Matters

(a) 2023 Pension Board Meeting Calendar

The Chair stated that the final item on the agenda is the proposed 2023 meeting calendar. He explained that this maps out what is proposed for the full Board as well as the Committee meetings. The Chair noted he is going to add to the December agenda a topic for the Board to discuss whether the 2023 meetings should be in person, virtual or a combination. He stated he would be interested in hearing what the County Board is planning. The Chair asked Ms. Bronikowski if she had anything add.

Ms. Bronikowski stated that the calendar is primarily for planning purposes. She explained that, as was the case this year, there will likely be a couple of special meetings and meetings that need to be rescheduled. Ms. Bronikowski clarified that if a Committee does not need to meet, the meeting can be cancelled, but it is helpful to have them on the calendar.

With regard to the in-person or virtual topic, Ms. Bronikowski stated she did ask NASDAQ to include a question on the self-assessment about this issue. This will allow the Board to gauge what Trustees would prefer. Ms. Bronikowski noted that the County Board is using a hybrid format where some members are attending in-person and some are attending virtually.

The Pension Board unanimously voted to approve the 2023 meeting calendar as presented by Director Bronikowski. Motion by the Chair, seconded by Mr. Gollner.

16. Adjournment

The meeting adjourned at 11:20 a.m.

Submitted by Erika Bronikowski,
Secretary of the Pension Board

EXHIBIT A

**AMENDMENTS TO THE
RULES OF THE PENSION BOARD OF
THE EMPLOYEES' RETIREMENT SYSTEM OF THE
COUNTY OF MILWAUKEE**

RECITALS

1. Section 201.24(8.1) of the Milwaukee County Code of General Ordinances (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").
2. The Pension Board previously adopted Rule 1017 to govern administration of Domestic Relations Orders.
3. The Pension Board desires to update Rule 1017 to allow for payment pursuant to a Domestic Relations Order to be processed via electronic fund transfer.

RESOLUTIONS

Effective November 16, 2022, the Pension Board hereby amends Rule 1017 to read as follows:

1017. Domestic relations orders.

Pursuant to section 201.24(11.7) of the Milwaukee County Code of General Ordinances, a member's pension benefit cannot be assigned, alienated, levied upon or subject to other legal process. However, the board will comply with a domestic relations order ("DRO") that directs the board to pay all or a portion of a member's pension benefit to a former spouse or child ("alternate payee"), provided the DRO satisfies the requirements outlined in subsection (1) below.

- (1) *Requirements for a valid DRO.* The DRO must satisfy the following requirements:
 - (a) *DRO must specify certain facts.* The DRO must clearly specify certain facts:
 - (i) The name, address and social security number of the member and the alternate payee;
 - (ii) The amount or percentage of the member's benefits to be paid by the system to the alternate payee;
 - (iii) The number of payments or period to which such DRO applies;
 - (iv) The name of the system to which the DRO applies; and
 - (v) The date as of which such DRO is effective.

- (b) *No payment until member in pay status.* The DRO must direct the board to pay to the alternate payee a portion of a member's monthly pension benefit that is in pay status. The DRO may not require the board or the system to make payment to an alternate payee on behalf of a member prior to the date that the member is actually receiving pension benefits from the system.
 - (c) *Purpose of payments.* Payment under the DRO shall be made solely for the purpose of providing alimony, maintenance or child support to a former spouse and/or child. The DRO cannot require payment to persons other than a member's former spouse or child and cannot be made for the purpose of a property division pursuant to a divorce.
 - (d) *Income withholding support orders.* Notwithstanding the foregoing, a valid income withholding support order issued by a support enforcement agency of a governmental agency qualifies as a DRO for purposes of this Rule and shall be treated as satisfying subsection (1)(a) above. A support order received by ERS shall be reviewed to confirm that subsections (b) and (c) are satisfied.
- (2) *Procedures upon receipt of a DRO.*
- (a) Upon receipt of a DRO, the board shall notify each person named in the DRO (at the address specified in the DRO) that a DRO has been received. The board may provide a copy of Rule 1017 to each party.
 - (b) If the board determines that the DRO complies with the applicable requirements of this Rule 1017, the board shall notify the persons named in the DRO and/or any representatives designated in writing by such persons.
 - (c) If the board determines that a DRO does not comply with the applicable requirements under Rule 1017, the board shall notify all parties that a determination has been made that the board cannot comply with the DRO. The notice shall describe the board's basis for determining that the DRO does not comply with Rule 1017.
 - (d) The board hereby delegates to the Retirement Office the authority to perform the duties described in this subsection (2).
- (3) *Payment procedure.* If a DRO satisfies the requirements of subsection (1) above, the board will make the payment to an alternate payee pursuant to the DRO by submitting a payment to the clerk of court having jurisdiction over the DRO, or to the appropriate governmental child support collection agency, or, if expressly stated in the DRO, via electronic fund transfer to the alternate payee.